

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**STATEWIDE REVIEW OF OVERTIME
AND TRAVEL CONTROLS**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-629.2
STATEWIDE REVIEW OF OVERTIME
AND TRAVEL CONTROLS

DECEMBER 1986



Telephone:
(916) 445-0255

STATE OF CALIFORNIA
Office of the Auditor General
660 J STREET, SUITE 300
SACRAMENTO, CA 95814

Thomas W. Hayes
Auditor General

December 10, 1986

P-629.2

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning statewide controls of overtime and travel. During our review, we identified a need for strengthening some internal controls. However, in general, statewide controls over these areas are working effectively.

Respectfully submitted,

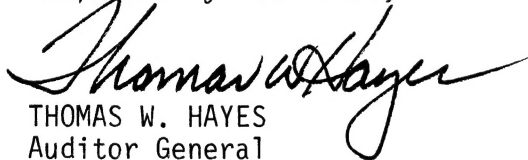

THOMAS W. HAYES
Auditor General

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	S-1
INTRODUCTION	1
AUDIT RESULTS	
I STATE AGENCIES' USE OF OVERTIME	5
CONCLUSION	10
RECOMMENDATIONS	11
II CONTROLS OVER EMPLOYEE TRAVEL	13
CONCLUSION	22
RECOMMENDATIONS	23
APPENDICES	
A LIST OF AGENCIES REVIEWED AND EXTENT OF REVIEW FOR OVERTIME	27
B LIST OF AGENCIES REVIEWED AND EXTENT OF REVIEW FOR TRAVEL CONTROLS	29
RESPONSES TO THE AUDITOR GENERAL'S REPORT	
BUSINESS, TRANSPORTATION AND HOUSING AGENCY	31
HEALTH AND WELFARE AGENCY	
Department of Developmental Services	33
RESOURCES AGENCY	
Department of Forestry	37
Department of Water Resources	39
YOUTH AND ADULT CORRECTIONAL AGENCY	41

SUMMARY

RESULTS IN BRIEF

The State of California paid over \$178.5 million for employee overtime and budgeted \$104.8 million for employee travel in fiscal year 1985-86. While we previously reported that the Department of Transportation had significant problems in controlling overtime and travel, in general, the statewide controls over employee overtime and travel are working effectively. However, in some instances, internal controls can be strengthened.

BACKGROUND

In June 1986, the Auditor General issued Report P-629.1, entitled "The Department of Transportation Has Mismanaged Employee Travel and Overtime." This report indicated a lack of managerial control over the use of overtime and travel reimbursements. Because of the weaknesses identified at the Department of Transportation, the Office of the Auditor General completed a comprehensive, statewide review of management controls of employee overtime and travel at 19 state agencies.

PRINCIPAL FINDINGS

Agencies Paid Highly Skilled
Employees for Performing Jobs
Requiring Less Specialized Skills

In limited instances, the agencies we reviewed have used highly skilled staff to perform jobs requiring less specialized skills. This practice has cost the State at least \$26,900 in overtime wages. For example, at the Department of Developmental Services, professional and nursing staff were paid overtime to paint and wallpaper even though there was a shortage of

licensed staff to care for patients. Had the agency used less skilled workers who could be hired on an intermittent basis, the State would have saved \$22,500 in overtime costs.

Agencies Are Paying Employees
Mileage Rates That Are Higher
Than They Are Entitled To Receive

According to state regulations, state agencies can pay their employees up to \$.30 a mile for using their vehicles for state business if the employees have the records to support the amount of reimbursement they have claimed. When we reviewed the records of 41 employees, we found that 13 employees (32 percent) could not support their claims of \$.30 per mile. We estimate that these employees were overpaid \$962 in mileage reimbursements. Since we found this condition at each agency that we tested, we believe that state agencies in general are not ensuring that their employees are maintaining records to verify their mileage claims.

Employees Have Not Secured Proper
Authorization To Drive Personal
Vehicles on State Business

State regulations require that before a person may be authorized to use a privately owned vehicle to conduct state business, the person must certify on an authorization form that the vehicle is covered by liability insurance. Four of the five agencies we reviewed have not enforced this requirement for employees who use their own vehicles on state business. Ninety-two of 337 employees (27 percent) in our sample claimed mileage reimbursement of at least \$14,800 without having the proper authorization. Because these employees do not have the required authorization forms on file, the State is increasing its risk of a loss on accident claims involving underinsured or uninsured state employees.

RECOMMENDATIONS

State agencies should take the following actions to improve control of employee overtime use and travel:

- Assess whether additional staff time is necessary by defining workload standards for each program before allocating money for overtime;
- Establish and enforce limits on individual employee's use of overtime to ensure that assigned work is being done efficiently and safely;
- Require accounting offices to audit periodically records of employees' actual costs for operating vehicles;
- Assign staff to be responsible for updating authorization forms to allow employees to drive their personal vehicles on state business; and
- Ensure that all employees who claim mileage reimbursement complete the proper authorization forms.

In addition, the Department of Personnel Administration should require state employees who claim reimbursement in excess of \$.205 per mile to retain records of the cost to operate their vehicles, as the Internal Revenue Service requires.

AGENCY COMMENTS

Four of the five agencies where we completed comprehensive reviews responded favorably to the report. However, in its response, the Department of Developmental Services states that it was not possible to use the employees' overtime sheets to determine whether employees performed "maintenance" functions or "clinical" functions.

INTRODUCTION

In conducting business for the State of California, state employees work overtime and perform tasks away from their normal work locations. Generally, state employees are compensated for overtime work and are reimbursed for travel expenses that they incur while conducting state business in locations away from their normal workplace.

Title 2 of the California Administrative Code sets forth regulations governing the use of overtime by state employees. In addition, Title 2 contains travel regulations and the rates for travel reimbursement to employees who travel on state business. The Department of Personnel Administration also provides state agencies with procedures for ensuring proper controls of employee overtime and travel. In conjunction with state requirements, some state agencies have established their own policies governing employee overtime and travel.

During fiscal year 1985-86, the State paid employees over \$178.5 million for 12 million hours of overtime. For the same fiscal year, the budget for travel for all state agencies was \$104.8 million.

SCOPE AND METHODOLOGY

The purpose of this audit was to review the State's system of controls for employee overtime and travel. To determine whether overtime worked by state employees was necessary and cost-effective, we interviewed the managers and staff of 18 agencies, which spent \$80.5 million for 6.7 million hours of overtime during fiscal year 1985-86, to find out what methods they used to formulate their budgets for overtime. The 18 agencies that we reviewed include the following:

Department of Forestry	State Treasurer
Department of Developmental Services	Department of Health Services
Department of the Youth Authority	Department of Mental Health
Department of the California Highway Patrol	Student Aid Commission
Department of Water Resources	State Board of Equalization
Department of Motor Vehicles	Employment Development Department
State Controller	Department of Education
Department of General Services	Franchise Tax Board
Department of Social Services	California State Polytechnic University-Pomona

The 18 agencies had 5,108 employees who worked 300 or more hours of paid overtime during the first ten months of fiscal year 1985-86. To determine if overtime was properly authorized, supervised, and documented, we selected a sample of employees from our list of those who were paid for 300 or more hours of overtime during the ten-month period. We reviewed the personnel records of 169 employees at the 18 agencies. These employees worked over 73,000 hours of overtime during the months reviewed and were paid over \$883,000.

To determine whether agencies' internal controls over travel claim payments were adequate, we reviewed travel claims at the same 18 agencies listed earlier and the Department of Aging. In fiscal year 1985-86, these 19 agencies had budgeted travel expenditures totaling \$38.3 million. We examined 725 travel claims filed by 723 state employees to verify that travel claims were computed correctly and were properly approved.

In addition, at 5 of the 19 agencies, we tested the agencies' management controls and compliance in the following areas: the audit of actual costs incurred by employees who use their own vehicles on state business; the prompt collection of outstanding travel advances; the disbursement and use of airline tickets; the authorization for employees who drive their personal vehicles on state business; and the use of state vehicles assigned to each agency. We did additional testing of employee travel at the Department of Forestry, the Department of Developmental Services, the Department of the Youth Authority, the Department of the California Highway Patrol, and the Department of Water Resources.

For a complete listing of the agencies reviewed during our audit of the State's overtime and travel controls, as well as details concerning the type of review conducted at each agency, see Appendices A and B.

AUDIT RESULTS

I

STATE AGENCIES' USE OF OVERTIME

Generally, state agencies are adequately authorizing, supervising, and documenting the overtime of their employees. We found no significant problems when we reviewed the records of 169 employees at 18 agencies. These employees worked over 73,000 hours of overtime and were paid over \$883,000. However, some agencies are using employee overtime inappropriately. We found that state agencies do not determine if hiring additional staff is less costly than paying overtime to existing staff. In addition, managers of state agencies are not considering if overtime is appropriate. For example, managers of 17 agencies have not developed standards to determine if staff are working productively. Also, managers of 18 agencies have not evaluated whether the quality of work performed by staff who work an excessive number of overtime hours is impaired. Finally, the managers of state agencies have not monitored the type and amount of overtime worked by employees. As a result, two state agencies incurred \$26,900 in excessive overtime costs, and one agency violated union contract provisions that limit the amount of overtime union members may work.

Agencies Paid Highly Skilled
Employees for Performing Jobs
Requiring Less Specialized Skills

State agencies are paying an excessive amount of overtime wages to experienced staff who perform work that could be done by employees who are paid less. In our sample of 18 agencies, we interviewed managers and staff to determine whether they had considered less costly alternatives to using overtime, such as using existing staff more efficiently or hiring additional intermittent or full-time staff. Only one agency's managers and staff documented that they had considered these less costly alternatives. In 2 agencies, we found that less costly alternatives could reduce the State's overtime costs.

For instance, at the Department of Developmental Services, 73 of the professional and nursing staff were paid overtime to paint and wallpaper even though there was a shortage of licensed staff available to provide care for patients. The upkeep of buildings is an ongoing requirement which should be done by intermittent employees who have less specialized skills and are paid less. We reviewed a sample of overtime sheets of professional and nursing staff who were paid overtime at Agnews Developmental Center between February 1, 1986, and May 31, 1986, and found that they spent over 2,100 overtime hours performing maintenance functions. If this work had been performed by employees with less specialized skills, the State could have saved \$22,500.

In a second example, at the Department of Water Resources, senior machine operators were paid overtime to duplicate computer printouts, which could have been done by lower-paid machine operator II's. The total cost of this overtime was \$20,852. However, if the reproduction work had been done by machine operator II's, the department would have paid \$16,394 and, thus, could have saved up to \$4,400.

The State's Procedures for
Budgeting and Monitoring
Employee Overtime Need Improvement

Of the 18 agencies that we reviewed, the managers and staff of only one agency could document that they had considered whether hiring additional staff would be more productive and less costly than allowing staff to work overtime. Also, only one agency had established workload standards, which measure staff productivity, to determine how much overtime was reasonable. Instead, most agencies allocated overtime based on how much overtime had been used the previous year. This method of allocating overtime may actually encourage inefficiency. In one study, researchers investigated the use of overtime in relation to staff productivity and found that offices using more overtime were less productive because the overtime was the result of staff inefficiency.*

*"The Potential Misuse of Overtime," Personnel Psychology, Volume 33, 1980.

The researchers recommended that management analyze what is causing the need for overtime and correct whatever inefficiencies exist before making additional allocations. Otherwise, management may be simply perpetuating the problem. In addition, in our report entitled "A Comprehensive Review of Management Practices at Folsom State Prison," Report P-529, Vol. 2, March 1986, we found that prison guards worked excessive amounts of overtime. According to safety experts, this practice could diminish the guards' performance and could pose a safety hazard.

At another one of the 18 agencies, we found that the agency's workload would justify hiring additional staff. The Department of Developmental Services' management did not budget enough staff positions to assure minimum level of patient care at one state hospital.

The Department of Health Services is the licensing authority responsible for establishing minimum levels of care for patients at the state hospitals operated by the Department of Developmental Services. These minimum levels of care require a staff-to-patient ratio of approximately 2 licensed staff people to every 19 clients. However, during fiscal year 1985-86, Agnews Developmental Center was allocated 1,137 professional care positions but budgeted for only 1,082. As a result, licensed staff at this hospital were required to work overtime to meet the minimum level of patient supervision required by the Department of Health Services. For example, at Agnews Developmental

Center, a psychiatric technician worked an average of 126 hours of overtime per month over a ten-month period to ensure that staffing requirements were met. Staff who work large amounts of overtime may not be providing the quality of patient care that staffing standards were developed to provide. The Department of Developmental Services did not request additional staff to reduce the amount of overtime required of individual staff.

At 2 of the 18 agencies, we identified 95 employees who worked unreasonable amounts of overtime. For example, at the Department of the Youth Authority (CYA), 15 employees worked three 16-hour shifts in a row in violation of their union contract, and 10 employees worked more than seven consecutive days, which violated department policy. Furthermore, a CYA superintendent reviewed the overtime records of one of his employees at the Youth Training School in Chino as requested by the Department of Finance. However, in his response to the Department of Finance, the superintendent did not mention that the employee worked overtime in violation of the union contract and that during this same period other employees worked little overtime. The CYA and the union establish limits on the amount of overtime that employees can work to ensure that a safe working environment exists. Because some of the CYA's custody staff were working as much as 21 days consecutively and 154 hours of overtime in one month, they might have been fatigued, which could have affected the safety of staff and wards and the security of the facility.

In addition, if the Department of Developmental Services had properly monitored the overtime being worked at one of its facilities, it would not have allowed 73 of its professional and nursing staff to work overtime to paint and wallpaper, especially since there was a shortage of licensed staff available to provide care for patients.

CONCLUSION

State agencies are doing an effective job in controlling their employees' use of overtime. However, the State is paying too much in overtime for staff to perform tasks that could more appropriately be done by employees who are paid less. In addition, we found that specially trained employees were used to perform work that did not require their special training. As a result, the State paid \$26,900 more for compensated overtime than was necessary. Further, the State's procedures for budgeting and monitoring overtime need improvement. Because managers do not consider whether overtime use is appropriate, agencies may be paying for unproductive or inefficient employees' work. In addition, employees who work long hours of overtime may not be providing the quality of care required and may be endangering public safety. Finally, because managers did not properly monitor employees earning large amounts of overtime, at least 95 employees worked overtime inappropriately.

RECOMMENDATIONS

To determine if the use of overtime is reasonable or necessary, agencies should institute the following:

- Assess whether additional staff time is necessary by defining workload standards of each program and unit before allocating money for overtime;
- Establish and enforce limits on individual employee's use of overtime to ensure that assigned work is being done efficiently and safely; and
- Monitor the type and amounts of overtime being worked by employees.

II

CONTROLS OVER EMPLOYEE TRAVEL

Although agencies generally are reviewing travel claims properly, internal controls can be strengthened in six areas. Of the five agencies in our sample, one agency inappropriately reimbursed employees for travel expenses, and four agencies overpaid mileage rates to employees who used their own cars for state business. In addition, three agencies did not promptly collect advances for employee travel expenses. Further, we found that four agencies have weak controls over the disbursement and use of airline tickets by employees. Also, employees who use their private vehicles on state business have not been obtaining proper authorization to do so. Finally, one agency has not maintained strict control over the use of state vehicles to ensure that they are used only for state business.

As a result of these weaknesses in control over employee travel, the State paid eight employees approximately \$840 in inappropriate expenses and overpaid employees \$962 for driving their personal vehicles on state business. Further, the State may not be able to collect more than \$4,600 in outstanding travel advances from nine employees who left their agencies and may have left state service. Finally, the State cannot be assured that adequate controls exist to safeguard against potential employee abuse of travel and that the State is protected by adequately insured private vehicles that employees use for state business.

State Agencies Generally Reimburse
Employees Appropriately
for Travel Expenses

We reviewed 725 travel claims at 19 agencies and found that, in general, departments are properly reviewing travel claims. We did not find any significant exceptions during our limited review of 350 travel claims at 14 agencies. Further, we conducted a more comprehensive review of 375 travel claims at 5 agencies to test departmental controls and compliance with state regulations. Although these 375 travel claims totaled over \$130,100, we found only \$840 in questionable reimbursements at one agency. (See Appendix B for a list of these agencies and the extent of our review.)

The California Administrative Code, Section 599.626, limits reimbursements for travel to the less costly mode of transportation, taking into consideration both direct expense and the employee's travel time. This section of the code also states that if an employee uses a more expensive mode of transportation, he or she will be reimbursed for the less expensive mode of travel.

Although agencies generally reimburse their employees appropriately, at the Department of the California Highway Patrol (CHP), employees were not always reimbursed for the less expensive mode of travel. We reviewed ten travel claims in which eight employees who drove their personal vehicles to the CHP's training academy in Sacramento received nearly \$2,100 for transportation expenses. In

completing their travel expense claims, the employees compared the cost of the actual mileage for the trip with an estimate of the costs that the employees would have incurred had the employees used a commercial airline and claimed reimbursement for the lesser of the two amounts. However, the employees' estimates of the cost for air transportation included not only the direct cost for airfare but also the estimates of additional costs, which were inappropriate. For example, the employees' estimates included charges for mileage costs between the employees' residences and the airports, cab fare between the Sacramento airport and the academy, and airport parking fees for the duration of the trip. Because the CHP's employees use these inappropriate costs when comparing the costs of the modes of travel, claims for reimbursement of travel are being overstated.

We calculate that the direct costs of airfares, not including incidental expenses such as parking fees and cab fares, for the trips taken by these eight employees would have cost the State less than \$1,300. However, because the CHP reimbursed employees for inappropriate incidentals, the State incurred approximately \$840 in unnecessary expenses for trips taken by employees in their private vehicles. When employees did not select the less expensive mode of transportation, the CHP's travel policies instructed employees who used private vehicles to claim the lesser of two costs: the cost of actual mileage incurred or the cost of airfare and other expenses that the employee would have incurred had the employee used a commercial airline.

The CHP's travel policies are an interpretation of the California Administrative Code, Section 599.626, which states that an employee may use a more expensive mode of transportation and be reimbursed for the less expensive mode of travel. However, because the code does not specify which costs should be included in calculating the the less expensive mode of travel, the CHP interpreted this section to allow employees to include costs other than airfare in their calculation of the less expensive method of travel. On November 3, 1986, the Department of Personnel Administration issued a memorandum which clarified the State's existing policy on this section of the code. This memorandum stated that actual mileage should be compared to airfare only. Therefore, according to this memo, the CHP's practice of including incidental costs is not a valid method of calculating the less expensive mode of travel.

State Agencies Are Paying Excessive
Mileage Rates to Employees Who Drive
Personal Vehicles on State Business

Section 0755 of the State Administrative Manual allows employees to claim from \$.205 to \$.30 per mile if they have the records to show that the actual cost of driving their vehicles equals or exceeds the amount of reimbursement that they have claimed. Also, Internal Revenue Service regulations require employees to substantiate reimbursement rates that exceed \$.205 per mile. Further, the State Administrative Manual requires that agencies advise employees that, when information on the direct cost of automobile usage is not

available, the employees are entitled to only the lowest mileage reimbursement rate of \$.165 per mile.

We requested that 51 employees from five agencies provide documentation on the costs of operating their personal vehicles. These employees claimed mileage reimbursement of \$.25 to \$.30 per mile. Although the Department of Personnel Administration has not developed any definitive criteria by which to audit these costs, we used the Internal Revenue Service's guidelines in computing the costs of operating private vehicles on state business. Of the 51 employees who were asked to support their claims of \$.25 to \$.30 per mile, 41 employees from four agencies provided documentation for our review.* Of these 41 employees, 13 (32 percent) could not provide adequate documentation to support their claims. Four of these 13 employees did not provide any documentation to support their claims, and the other 9 employees could not substantiate their claims of \$.25 to \$.30 per mile.

Because these 13 employees were unable to substantiate their claims of \$.25 to \$.30 per mile for using their personal vehicles on state business, we estimate that these employees were overpaid \$962 in mileage reimbursements. These employees were permitted to claim the

*We requested this information from ten employees at the Department of Water Resources; however, the department did not provide documentation in time to be included in this report.

\$.25 to \$.30 per mile reimbursement because accounting offices in state agencies have not been periodically reviewing state employees' records that substantiate mileage claims.

In March 1986, Section 0755 of the State Administrative Manual was revised to allow agencies to periodically audit documentation that support mileage reimbursements over \$.205 per mile. These audits should be conducted to ensure that the rates claimed are in the best interest of the State. As of September 26, 1986, the Department of Personnel Administration was working with the Attorney General's Office to develop guidelines explaining what employees will be required to provide to justify their mileage claims exceeding \$.205 per mile.

State Agencies Do Not Promptly
Collect Travel Advances

According to the State Administrative Manual, Section 8116, when the amount of a travel advance exceeds the travel claim amount, employees are required to repay travel advances promptly. The five agencies we reviewed generally require employees to clear the advances within 30 to 90 days by submitting a travel claim or by submitting a personal check. Two of the five agencies we reviewed regularly monitored their outstanding travel advances. These two agencies also stated that they routinely deducted the amount of the advances from employees' paychecks. However, the other three agencies do not effectively monitor advances for employee travel. We reviewed 48 outstanding travel advances granted to the employees of these three

agencies. These advances were outstanding from two months to over five years. The amounts of the outstanding travel advances ranged from \$30 to \$3,400 and totaled more than \$13,600. Of the 48 outstanding advances, 9, totaling more than \$4,600, were given to employees who have left their agencies and may have left state service without repaying their outstanding travel advances. As a result, the State's chances of recovering the amounts owed by those former employees are diminished.

These travel advances were not collected promptly by two of the three agencies because the agencies' accounting offices did not always monitor outstanding advances on a regular basis. Also, all three agencies either have not followed their procedures for deducting outstanding advances from employees' paychecks or do not have such procedures. Without a means to monitor or collect outstanding travel advances from current and former state employees, the State diminishes its chances of recovering the outstanding advances.

State Agencies Have Poor Controls Over Employees' Use of Airline Tickets

State agencies are not exercising sufficient control over airline tickets designated for state employees to use while traveling on state business. Section 8422.115 of the State Administrative Manual requires that employees submit copies of their airline tickets and that the passenger copies of the tickets be compared to the billing invoices from the airlines. The five agencies that we reviewed used a travel

agency to purchase airline tickets. Also, some agencies used "instanttickets" or ticket vouchers that are redeemed for an actual ticket at the airport.

At four of the five agencies, we found a lack of control over disbursement of airline tickets. In fact, the Department of Forestry had no record of the number of airline ticket vouchers disbursed. This department also did not keep airline tickets locked in a secure area. In addition, these same four agencies generally do not reconcile employees' airline tickets with travel expense claims or with billings from the airlines to ensure the tickets were used properly by employees. Further, some agencies cannot always determine whether tickets were used or if flights were changed or cancelled because accounting office staff depend on employees to return unused tickets or to notify the accounting office that flight plans were changed. Although we did not find any specific cases of abuse, poor internal controls over airline tickets can lead to abuse by some employees. Also, the State may pay for tickets that were used inappropriately or may pay for unused tickets.

State Employees Have Not Secured
Proper Authorization To Drive
Personal Vehicles on State Business

Some state employees are not obtaining formal authorization from their agencies to use their vehicles to conduct state business because they are not always submitting the proper form. Section 0754

of the State Administrative Manual states that, before an employee may be authorized to use a privately owned vehicle to conduct state business, the employee must certify on an authorization form approved by a supervisor that the vehicle will be covered by liability insurance. In addition, Section 0755 of the State Administrative Manual notes that, without receiving the proper authorization, an employee is not entitled to mileage reimbursement for using his or her private vehicle.

Four agencies out of the five we reviewed have not adequately enforced the state regulations that require employees who use their privately owned vehicles on state business to file the proper authorization form. In fiscal year 1985-86, 92 of 337 (27 percent) employees in our sample claimed mileage reimbursement of at least \$14,800 without having the proper authorization. Because these employees do not have the required authorization forms on file or have forms on file that are not current, the State is increasing its risk of a loss on accident claims involving underinsured or uninsured state employees.

Some employees did not file these authorization forms because the administrative or clerical staff for their units were unaware that authorization forms had to be filed or updated annually for all employees who claim reimbursement for operating privately owned vehicles on state business. In addition, agency staff who are responsible for collecting the authorization forms have not been updating them on a regular basis.

One State Agency Is Not
Maintaining Travel Logs as
Required by State Regulations

The California Administrative Code, Section 599.807, requires all state agencies to maintain a daily travel log for each automobile under their control. We reviewed travel logs for 11 vehicles at the Department of the Youth Authority (CYA) and found that the CYA did not maintain any travel logs for five of these vehicles. As a result, the CYA cannot ensure that its vehicles are used only for state business. Logs have not been maintained at the CYA because staff people responsible for maintaining the travel logs have not ensured that the State's requirements are being enforced.

CONCLUSION

In general, the State's internal controls over employee travel are working effectively. However, internal controls can be strengthened in some instances. As a result of these weaknesses, the State reimbursed employees for travel expenses that they were not entitled to receive. In addition, when employees use their own vehicles on state business, agencies have overpaid them for mileage reimbursements, which the employees cannot substantiate. We also found that some agencies do not collect travel advances promptly from employees; therefore, some employees have left their agencies and may have left state service without repaying their travel

advances. Statewide controls over the disbursement and the use of airline tickets also need improvement to ensure that tickets are used properly by state employees. Finally, one agency has not maintained strict controls over the use of state vehicles to ensure that they were used only for state business.

RECOMMENDATIONS

To prevent payments to employees for travel expenses that they are not entitled to receive, the California Highway Patrol should instruct its employees to claim the lesser of private vehicle mileage or airfare in conformance with the regulations of the Department of Personnel Administration.

To audit personal vehicle costs, we recommend the following:

- In accordance with the Internal Revenue Service's regulations, the Department of Personnel Administration should require state employees who claim mileage reimbursements exceeding \$.205 to retain records of their vehicle's cost of operation; and
- Accounting offices should periodically audit records of employees' actual costs for operating vehicles and ensure that claims for reimbursement do not exceed the actual costs of employees driving their own vehicles.

To improve the monitoring and the collection of travel advances, agencies should take the following corrective action:

- Implement procedures for recovering outstanding travel advances through deductions from paychecks;
- Institute procedures that would prevent employees from leaving state service without first repaying any outstanding advances; and
- Institute procedures to recover money owed by former state employees.

To strengthen controls over airline tickets, agencies should take the following action:

- Implement the use of a log for "ticket vouchers" or "instanttickets" for agencies that use these systems of issuing airline tickets;
- Secure airline ticket coupon books in locked areas;
- Reconcile the passenger's copy of a ticket with billings from the airlines; and

- When practical, reconcile travel expense claims to airline billings, checking dates and locations of flights.

To ensure authorization forms are filed for personal vehicle use, agencies should do the following:


- Assign staff to be responsible for updating forms annually; and
- Ensure that all employees who claim mileage reimbursement file authorization forms.

To ensure that travel logs for vehicles are maintained, agencies should take the following corrective action:

- Ensure that all state vehicles have travel logs that are updated daily; and
- Require personnel responsible for vehicles to maintain logs.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: December 8, 1986

Staff: Thomas A. Britting, Audit Manager
Douglas Cordiner
Frank A. Luera
Wendy Rodriguez, CPA
Karen S. Schwager
Daniel M. Claypool

**LIST OF AGENCIES REVIEWED AND
EXTENT OF REVIEW FOR OVERTIME**

<u>Agency</u>	<u>Overtime Attribute Examined</u>			
	<u>Cost-Effectiveness</u>	<u>Necessary & Reasonable</u>	<u>Authorization</u>	<u>Supervision</u>
Department of Forestry	X	X	X	X
Department of Developmental Services	X	X	X	X
Department of the Youth Authority	X	X	X	X
Department of the California Highway Patrol	X	X	X	X
Department of Water Resources	X	X	X	X
Department of Motor Vehicles	X	X	X	X
State Controller	X	X	X	X
Department of General Services	X	X	X	X
Department of Social Services	X	X	X	X
State Treasurer	X	X	X	X
Department of Health Services	X	X	X	X
Department of Mental Health	X	X	X	X
Student Aid Commission	X	X	X	X
State Board of Equalization	X	X	X	X
Employment Development Department	X	X	X	X
Department of Education	X	X	X	X
Franchise Tax Board	X	X	X	X
California State Polytechnic University - Pomona	X	X	X	X

**LIST OF AGENCIES REVIEWED AND
EXTENT OF REVIEW FOR TRAVEL CONTROLS**

Agency	Travel Attribute Examined						
	Approval of Travel Claim	Correct Computation	Costs of Personal Vehicle Use	Prompt Collection of Travel Advances	Use of Airline Tickets	Authorization to Drive Personal Vehicles	Control and Use of State Vehicles
Department of Forestry	X	X	X	X	X	X	X
Department of Developmental Services	X	X	X	X	X	X	X
Department of the Youth Authority	X	X	X	X	X	X	X
Department of the California Highway Patrol	X	X	X	X	X	X	X
Department of Water Resources	X	X	X	X	X	X	X
Department of Motor Vehicles	X	X	*	X	X	X	X
State Controller	X	X					
Department of General Services	X	X					
Department of Social Services	X	X					
State Treasurer	X	X					
Department of Health Services	X	X					
Department of Mental Health	X	X					
Student Aid Commission	X	X					
State Board of Equalization	X	X					
Employment Development Department	X	X					
Department of Education	X	X					
Franchise Tax Board	X	X					
California State Polytechnic University - Pomona	X	X					
Department of Aging	X	X					

*The Department of Water Resources did not notify its employees in time to provide documentation to be included in the audit report.

1120 N Street
Sacramento
95814

(916) 445-1331

Alcoholic Beverage Control
Banking
Corporations
California Highway Patrol
California Housing Finance
Agency
Commerce

GEORGE DEUKMEJIAN
GOVERNOR OF
CALIFORNIA



Insurance
Housing and Community
Development
Motor Vehicles
Real Estate
Savings and Loan
Transportation
Teale Data Center
Office of Traffic Safety

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

November 21, 1986

Mr. Thomas Hayes
Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

Subject: P-629.2 - "Statewide Review of Overtime
and Travel Controls"

I have reviewed the findings and recommendations contained in a draft report by the Office of the Auditor General (P-629.2) entitled "Statewide Review of Overtime and Travel Controls."

The report contains findings that the California Highway Patrol has misinterpreted California Administrative Code Section 599.626 dealing with travel expense reimbursement for the least expensive mode of travel. On Page 24, the report makes the related recommendation that the California Highway Patrol (CHP) instruct its employees to claim the lesser of private vehicle mileage or airfare in conformance with Department of Personnel Administration (DPA) regulations, as clarified by its November 3, 1986 memorandum.

The CHP Commissioner has revised the Department's procedures to conform to the DPA memorandum and comply with the Auditor General's recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read 'John K. Geoghegan'.

JOHN K. GEOGHEGAN
Secretary

DEPARTMENT OF DEVELOPMENTAL SERVICES

1600 9TH STREET
SACRAMENTO, CA 95814
TTY 323-5901
(916) 323-3131



November 20, 1986

Thomas W. Hayes
Auditor General
660 'J' Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

Mr. Stockdale has asked me to respond to your report, P-629.2, Statewide Review of Overtime and Travel Controls. Following are the audit findings and responses to those findings pertaining specifically to our Department.

1. Audit Finding:

"Departments Paid Highly Skilled
Employees for Performing Jobs
Requiring Less Specialized Skills.

"At the Department of Developmental Services, professional and nursing staff were paid overtime to paint and wallpaper even though there was a shortage of licensed staff available to provide care for patients. The upkeep of buildings is an ongoing requirement which should be done by intermittent employees with less-specialized skills at a lower cost. We reviewed a sample of overtime sheets of professional and nursing staff who were paid overtime at Agnews Developmental Center between February 1, 1986, and May 31, 1986, and found that they spent 2,100 overtime hours performing maintenance functions. Had this work been performed by employees with less-specialized skills, the state could have saved \$22,500."

Department Response:

All staff in the facilities become very involved and feel a strong commitment in preparing for surveys by the Accreditation Council for Services for Mentally Retarded and Other Developmentally Disabled Persons (ACMRDD). Admittedly, some professional and nursing staff assisted with painting and wallpapering some of the units. However, the facility reports that it was not possible to differentiate, from

the overtime sheets, between those functions which may have been considered maintenance functions and those which may have been related to clinical functions. Most of the overtime slips indicated the overtime was for "ACMRDD." For example, some of the duties performed by the professional and nursing staff included clinical record documentation; assurance that all clothing and personal-care items for clients were adequate, personalized, and appropriately stored; and clients' living and dining areas were tastefully furnished and decorated.*

During this survey preparation time all maintenance staff were working to their fullest capacity, and also worked overtime. Additionally, the facility hired 25 Maintenance and Service Occupational Trainees (MSOT) to assist with this workload. This is an indication that an effort was made to hire and utilize less skilled staff.

2. Audit Finding.

"The State's Procedures for Budgeting and Monitoring Employee Overtime Need Improvement.

"At one of the 17 departments and one campus, we found that the department's workload would justify hiring additional staff. The Department of Developmental Services' management did not budget enough staff positions to assure minimum level of patient care at one state hospital.

"The Department of Health Services is the licensing authority responsible for establishing minimum levels of care for patients at the state hospitals operated by the Department of Developmental Services. These minimum levels of care require a staff-to-patient ratio of approximately two licensed staff people to every 19 clients. However, during fiscal year 1985-86, Agnews Developmental Center was allocated 1,137 professional care positions but budgeted for only 1,082. As a result, licensed staff at this hospital were required to work overtime to meet the minimum level of patient supervision required by the Department of Health Services. For example, at Agnews Developmental Center, a psychiatric technician worked an average of 126 hours of overtime per month over a ten-month period to ensure that staffing requirements were met. Staff who work large amounts of overtime may not be providing the quality of patient care that staffing standards were developed to provide. The department did not request additional staff to reduce the amount of overtime required by individual staff."

*Auditor General's Comment: Although, in most instances, employee overtime sheets do not specify the reasons for overtime, the 2100 hours of overtime that we cite on page 6 of the report were for the painting and wallpapering that professional and nursing staff specified on their overtime sheets.

Department Response:

The Department budgets level-of-care professional and nursing positions based on year-end projected population. The quarterly allocation provides the additional positions required for any excess population throughout the fiscal year. The 1,137 positions allocated in the fourth quarter provided 55 additional positions, over their budgeted 1,082 positions, to provide staffing for excess population.

Expenditures are carefully monitored throughout the year on an ongoing basis. Headquarters staff request a spending projection from the local facilities at least once annually. Agnews submitted an expenditure projection in the last half of 1985-86. The projections from all of the facilities were carefully evaluated to ensure that projected spending levels were within the budget.

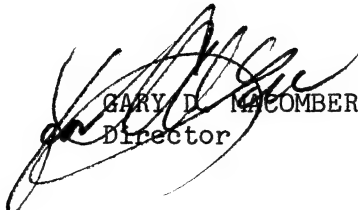
A supplemental budget allocation increasing Agnews' spending authority by \$1,711,000 was transmitted on April 23, 1986 in order to fully fund Agnews' projected spending level for 1985-86.

As much as possible, the facilities utilize individuals who volunteer to work overtime. This reduces the need for mandatory overtime by other employees. This has, on occasion, resulted in some employees working a significant amount of overtime. Program management is monitoring this practice more closely and attempting to limit these employees to more reasonable overtime hours.

We believe a certain amount of overtime is unavoidable because of the many complex problems related to staffing a 24-hour facility. For example, unplanned absences of employees cause the most frequent need for overtime. In addition, an increase in workload, such as surveys or a need to provide a one-to-one staff ratio for a critically ill, behavior management, or suicidal client also impacts the need for overtime. The inability to fill all positions is another factor which contributes to overtime use. Vacancies exist because of normal staff turnover as well as recruitment difficulties in some facilities.

Thank you for sharing your preliminary report with us and allowing us the opportunity to provide a response to your findings. If you have any questions regarding our comments please contact James D. Miller, Assistant Deputy Director, Administration Division, at 445-7052.

Sincerely,



GARY D. MACOMBER
Director

cc: Health & Welfare Agency
James D. Miller

Memorandum

To : Mr. Thomas W. Hayes
Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Date : November 21, 1986
A 4

Telephone: ATSS ()
() 445-6841

From : Department of Forestry

Subject : 2500 BUDGETING AND FINANCE
2570 Travel
"Statewide Review of Overtime
and Travel Controls" (P-629.2)
Report by the Office of the Auditor
General

Thank you for the opportunity to have reviewed your draft of findings regarding statewide controls over employee overtime and travel. We are pleased that your findings indicate that the statewide controls are, in general, working effectively.

The Department of Forestry is keenly interested in effective management and control of resources and is receptive to any finding where our processes and controls can be improved. While this department was not mentioned specifically in the recommendations, we would like to offer the following comments in regard to areas where some weakness was detected.

1. In regard to the issue of employee use of their personally-owned vehicle for travel on State business and the rate of reimbursement that they are entitled to receive to cover their costs, we have found an absence of definitive State guidelines in regard to the type of records needed for employees to document the actual costs in excess of 20 1/2 cents. We have written the Department of Personnel Administration (letter of October 1, 1986, attached) to encourage the development of standards for application in all departments. Until this is done, our overview and audit processes may be hampered. However, in the meantime, we have notified all supervisors in headquarters and in our regions of the current requirements (letter of September 18, 1986, attached).
2. In regard to the processes for issuing airline tickets and the security of the ticket vouchers, we concur with your findings and recommendations. We are pleased that, even though our controls should be improved, you have found that there are no apparent instances of abuse. We are preparing procedures to implement appropriate control and security measures which will be developed by January, 1987. In the

meantime, we have informed the appropriate management personnel in Sacramento and in our Regions of the need to secure the unused ticket vouchers.

The remaining items in your report do not indicate that there are any weaknesses in the Department of Forestry's procedures or controls. We assure you, however, that controls over excessive or inappropriate use of overtime and travel reimbursements continue to be important to this Department and any recommendations to improve our procedures will be considered fully.

Again, we are pleased that your findings indicate, in general, that statewide controls are working effectively. Thank you for the opportunity of responding to your findings and comments. Should you have further questions or comments, please feel free to contact Ms. Shelley Wing, Chief of Support Services, on 445-6841.


For - JERRY PARTAIN
Director

ah

cc: The Resources Agency

Attachments

Memorandum

Date : NOV 21 1986

To : B-24
Thomas W. Hayes, Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

From : Department of Water Resources

Subject : Statewide Review of Overtime and
Travel Control, Report P-629.2

The Secretary for Resources has asked that I reply directly to your office regarding the subject report as it applies to the Department of Water Resources (DWR). DWR was specifically mentioned twice in the report:

1. "Department Paid Highly Skilled Employees for Performing Jobs Requiring Less Specialized Skills"

Response: DWR had already taken action to correct this situation prior to the audit. The Chief of our Reproduction Services Office had been under the impression that she could not have rank-and-file employees work without having a supervisor onsite. Since the required work only necessitated the presence of one person, she had been assigning the required work to a supervisor (Senior Machine Operator). We have corrected this situation, and the work is now done by a Machine Operator II. Overtime is distributed evenly among the employees.

2. "The State's Procedures for Budgeting and Monitoring Employee Overtime Need Improvement"

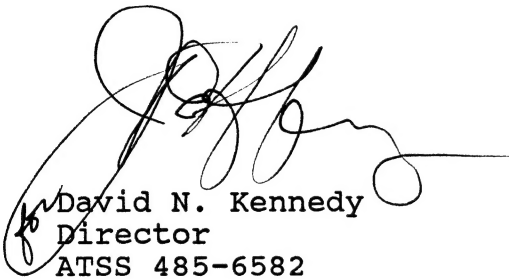
Response: DWR was cited in a footnote as not providing documentation for ten employees in time to be included in the report. This resulted apparently from our misunderstanding of what your staff was requesting. Should your office still require the documentation, we will be most happy to provide it.

Thomas W. Hayes, Auditor General
Page 2

NOV 21 1986

Although DWR was not specifically mentioned in any other areas, we are reviewing all the recommendations to assure complete compliance.

Thank you for the opportunity to comment on this report. Should you need additional information please feel free to contact me or John P. Caffrey, Deputy Director, at (916) 445-8938.



David N. Kennedy
Director
ATSS 485-6582

cc: A-38
Honorable Gordon K. Van Vleck
Secretary for Resources
The Resources Agency
1416 Ninth Street, Room 1311
Sacramento, CA 95814

YOUTH AND ADULT CORRECTIONAL AGENCY
OFFICE OF THE SECRETARY



November 19, 1986

Mr. Thomas W. Hayes
Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. ^{Tom} Hayes:

Thank you for the opportunity to respond in writing to your draft report on "Statewide Review of Overtime and Travel Controls." We found your report to be a fair and generally accurate representation of the management of overtime and travel at the Department of the Youth Authority.

As your staff apparently indicated in their exit interview, overall the Department of the Youth Authority maintains adequate records and has excellent management control on the use of overtime and travel. Specifically, your report cited only two problems. One involved CYA custody staff working consecutive hours of overtime in violation of the union contract and/or Department policy, and the other citation found that the Department did not maintain travel logs for five of eleven vehicles audited.

Jim Rowland, our CYA Director, has assured me that both of these deficiencies have been corrected and he appreciates your bringing them to his attention.

Staff at the Department of the Youth Authority have also indicated to me their appreciation for the professional manner in which your staff conducted their review.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chaderjian".

N. A. Chaderjian
Agency Secretary

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps